

**GOVERNMENT PROGRAMS TO FINANCE
BIODIESEL PRODUCTION / OILSEED CRUSHING VENTURES IN MONTANA
January 24, 2007**

STATE OF MONTANA

Montana Department of Agriculture

Montana Growth Through Agriculture Program

<http://www.deq.mt.gov/Energy/Renewable/altenergyloan.asp>

Montana Department of Environmental Quality

Alternative Energy Revolving Loan Program

<http://www.deq.mt.gov/Energy/Renewable/altenergyloan.asp>

Montana Department of Commerce

- Community Development Block Grant (CDBG) Program: Business Loans / Infrastructure Projects / Customized Training for Employees
- Workforce Training Grants
- Big Sky Economic Development Trust Fund
- Board of Research & Commercialization Technology
- Small Business Innovation Research Program
- Workforce Innovation in Regional Economic Development (WIRED) Grant

<http://businessresources.mt.gov/>

Montana Board of Investments (within the Montana Department of Commerce)

- Value-Added Business Loan Program
- Business Loan Participation Program
- Guaranteed Loan Purchase Program
- Infrastructure Loan Program

<http://www.investmentmt.com/>

LOCAL / REGIONAL

Big Sky Economic Development Trust Fund

Local Development Corporations – Revolving Loan funds

FEDERAL

USDA Rural Development <http://www.rurdev.usda.gov/mt/RBS/rbs.htm>

- Renewable Energy Systems and Energy Efficiency Improvements Grant, Guaranteed Loan, and Direct Loan Programs – “Farm Bill Section 9006 Program”
- Value-Added Producer Grants
- Business and Industry Guaranteed Loans
- Business and Industry Direct Loans
- Intermediary Relending Program
- Rural Business Enterprise Grants Rural Economic Development Loans
- Rural Economic Development Loans

SOURCES OF TECHNICAL OR INFORMATIONAL ASSISTANCE TO BIODIESEL PRODUCTION / OILSEED CRUSHING VENTURES

STATE OF MONTANA

Montana Department of Agriculture

Marketing & Business Development Bureau

<http://agr.mt.gov/business/busMktng.asp>

Montana Department of Environmental Quality

Air, Energy and Pollution Prevention Bureau

<http://www.deq.mt.gov/ppa/aepp/index.asp>

Business & Community Assistance Section

Public Buildings & Alternative Energy Section

Energy Planning & Technical Assistance Section

Small Business Assistance Program

Montana Department of Commerce

Regional Development Officers

http://businessresources.mt.gov/BRD_rdooffices.asp

Small Business Development Centers

<http://sbdc.mt.gov/offices.asp>

LOCAL / REGIONAL

Certified Development Corporations

http://businessresources.mt.gov/BRD_CRDC.asp

Local Development Corporations

NGOs & Educational Institutions

Montana Manufacturing Extension Center (MMEC) <http://www.mtmanufacturingcenter.com/>

Montana Cooperative Development Center

<http://www.mcdc.coop/>

National Center for Appropriate Technology

<http://www.ncat.org/>

MSU Extension Service

<http://extn.msu.montana.edu/>

MSU Agriculture Research Centers

<http://ag.montana.edu/departments/>

MSU Bio-based Institute

<http://www.montana.edu/biobased/>

MSU-Northern

<http://www.msun.edu/>

MONTANA INCENTIVES FOR BIODIESEL PRODUCTION / OILSEED CRUSHING VENTURES

- Biodiesel Production Incentive – HB 756 (15-70-601 MCA)
- Oilseed Crush Facility Investment Tax Credit (Income Taxes) – HB 756 (15-32-701 MCA)
- Biodiesel Production Facility Tax Credit (Income Taxes) – HB 756 (15-32-702 MCA)
- Biodiesel Blending And Storage Tax Credit – HB 776 (15-32-703 MCA)
- Biodiesel: Refund For Taxes Paid On Biodiesel By Distributor Or Retailer – HB 776 (15-70-301 MCA)
- Canola Crushing Plant Property Tax Exemption – Personal Property (15-6-220 MCA)

GRANT, FINANCE, TECHNICAL ASSISTANCE PROGRAMS THAT MAY BE USED FOR BIOFUELS DEVELOPMENT

Workforce Innovation in Regional Economic Development (WIRED) Grant

- Award announced in late January 2006 – program funded by the US Department of Labor
- Program awarded \$15 million total for a period of three years
- Program has a defined project area: 32 counties outside of “the boot”
- Program focus is on projects that directly involve job training in bioproduct business development that can attain tangible, measurable results in the form of job creation and retention involving significant leveraging of other funds.
- Businesses involved with the production of biofuels and biolubricants with special job training needs are a special focus of the program.
- \$3.4 million available annually for grant funds for customized worker training to businesses working with universities, colleges, high schools, and other training providers (managed by the Montana Department of Commerce)
- \$1.2 million available annually for two-year colleges and K-12 programs (managed by the Montana Office of the Commissioner of Higher Education)
- *Bioproduct Business Development Job Training Grants*
 - o Tied to job creation
 - o No funding limits established – at the discretion of the Montana Department of Commerce and based on the eligibility of job training costs proposed and the level of matching funds to be provided by the applicant.
 - A minimum of 1:1 matching funds is required – with the expectation that a significantly higher level of matching funds will be provided by the applicant
 - Involvement of multiple partners improves competitive position
 - o Strict rules regarding use of funds, for example:
 - Funding for equipment is essentially limited to the cost of the equipment used for training (pro-rated to the extent that it is used for training)
 - Funding cannot be for salaries of employees during training activities
 - o Applicants must provide a business plan with the application meeting specified requirements
- *Bioproduct Business Training Grants*
 - o Focused on new or increased direct bioproduct business training assistance and employee development (not necessarily job creation)
 - o Minimum of 1:1 matching funds required
- *Tribal Government Set-Aside*
 - o \$50,000 annually to tribal governments in the WIRED region
 - o For job training, curriculum development, and other job training related concepts that meet WIRED eligibility requirements
 - o Available in addition to the other programs described above
- It is highly recommended that applicants work with Montana Department of Commerce Regional Development Officers in preparing applications.

Montana Department of Agriculture – BioProduct Innovation Center Network

- The Montana Bio-Product Innovation Centers provide customized training and technical assistance for bio-product and related value-added agriculture business opportunities. Services are provided for new and incumbent employees, owners of existing businesses, entrepreneurs evaluating new business opportunities, and cooperative members.
- Program has a defined project area: 32 counties outside of “the boot”
- The centers provide training, coaching, and technical assistance in the following areas:
 - o Conducting and preparing business feasibility studies, business plans, market research, marketing plans, operating plans, and strategic plans.
 - o Developing written job descriptions.
 - o Developing training programs for existing, new, or potential employees
 - o Training to educate business professionals and entrepreneurs on industry dynamics and technology of specific bio-product industries.
- Montana BioProduct Innovation Center Contacts
 - o **Bear Paw Development Corporation**
Brandi Beecher
48 Second Avenue, Suite 202
Havre, MT 59501
406.265.9226
bbeecher@bearpaw.org
 - o **Great Northern Development Corporation**
Linda Twitchell
233 Cascade Street
Wolf Point, MT 59201
406.653.2590
linda@gndc.org
 - o **Beartooth RC&D**
Chaz Holt
604 West Front Street
Joliet, MT 59041
406.962.3914
Cdholt77@yahoo.com
 - o **Snowy Mountain Development Corporation**
Bob Giese
613 North East Main
Lewistown, MT 59457
406.535.2591
smdcmaic@midrivers.com
- Contact:
Tracey Jette
BioProduct Innovation Center Network Coordinator
334 Stubble Lane
Belgrade, MT 59714
406.388.5038
tjette@mt.gov

Montana Department of Agriculture - Growth Through Agriculture

- *Not specific to biofuels*
- Up to \$50,000 per award
 - o maximum of three awards per company/project
 - o nine months between applications
- Four application deadlines per year: Jan 31, Apr 30, July 31, Oct 31
- Applicant Match - minimum 1:1 match from applicant
- Award may be in the form of:
 - o a grant with no repayment obligation,

- a loan with deferred interest accrual and deferred payments, or
 - a loan (current interest rate is 5.75%)
- To qualify for consideration: *proposals must have practical, near-term application involving new or alternative technologies, practices, or organizational arrangements that will stimulate expanded agricultural development, economic activity, and employment growth.*
- Learn more and obtain an application at: <http://agr.state.mt.us/business/GTA.asp>
- Contact: Justin Hager
GTA Program Manager
Montana Department of Agriculture
P.O. Box 200201
Helena, Montana 59620-0201
(406) 444-2402 phone (406) 444-9442 fax
Jhager@mt.gov

Montana Department of Commerce

- ***Programs are not specific to biofuels, but programs could be used for a biofuels project***
- Contact the Regional Development Officer for your area:
http://businessresources.mt.gov/BRD_rdooffices.asp
- CDBG Program: Business Loans/Infrastructure Projects/Customized Training for Employees
 - Local government makes application
 - (\$25,000 per job created up to \$400,000 per local government)
 - Depending on the project, the local government may expend funds or may set up revolving loan fund that may have low interest rates.
- Workforce Training Grants
 - The maximum grant amount for each employee trained is \$5,000.
 - A 1:1 match is required for an application that is only for employee training
 - The maximum CDBG funding would still be \$400,000 per local government applicant (including both a CDBG loan and grant-funded employee training).
 - The applicant must submit a detailed hiring and training plan to the Montana Department of Commerce.
- Big Sky Economic Development Trust Fund
 - For State Fiscal Year 2006, approximately \$900,000 is available for local governments in the form of grants and loans for economic development projects, and approximately \$300,000 is available to eligible economic development organizations for economic development planning and capacity building. Local governments, Certified Regional Development Corporations (CRDCs) and economic development corporations are encouraged to contact a Department of Commerce Regional Development Officer and the Governor's Office of Economic Opportunity when preparing an application to the Big Sky Economic Development Fund.
 - Financial assistance to local governments not to exceed \$5,000 for each new eligible job to be created. An "eligible job" means a new FTE (job that provides at least 35 working

- hours per week on an annual basis) that provides wages that meets or exceeds the current average weekly wage of the county in which the employee is to be principally employed.
- Grant awards to CRDCs and other eligible economic development organizations may not exceed \$15,000 per application.
- Board of Research & Commercialization Technology
 - Research grants (\$20,000 - \$500,000)
 - Minimum 25% match
 - For research projects with commercial potential
 - One round of applications per year. Next round: late winter / early spring 2006
 - State law requires that at least 20% of research grants made be directed toward projects that enhance production agriculture
- Small Business Innovation Research Program
 - federal research grants for technology commercialization

Montana Board of Investments

The Montana Board of Investments (MBOI) is attached to the Department of Commerce for administrative purposes. The Board does not lend directly to businesses. The loans are accessed through banks and approved lending institutions. Businesses should first contact and work through local bank(s). MBOI programs typically enable businesses to access lower, fixed rate financing for viable bank-approved projects. Applicable types of loans are described below. Loan policy and application information and current interest rates may be found at the following website (see Commercial Loan Policy and Application; Value Added Loan Policy; and Application and Commercial Rate Sheet). www.investmentmt.com/ratesforms/default.asp

- ***Not specific to biofuels, Value-Added Business Loan Program***
 - Maximum 15-year loan term.
 - Minimum loan \$250,000 / Maximum loan approximately \$6.4 million.
 - Must create or retain at least 10 jobs.
 - 10-14 jobs created/retained qualifies for a loan rate at 4% for first 5 years.
 - 15 jobs created/retained qualifies for a loan rate at 2% for first 5 years.
 - 2% & 4% interest rate not in effect until required jobs are created/retained, until then interest rates are the posted MBOI interest rates.
 - Interest rate at 2% / 4% for first 5 years, 6% for second 5 years, and the MBOI posted rate for the remaining term.
- ***Business Loan Participation Program***
 - Fixed-rate financing up to 25-years with interest rates posted weekly.
 - Maximum participation amount of approximately \$64 million (10% of Trust).
 - Maximum Board participation is 80% if Board's participation is less than 6% of Trust.
 - Job creation credits may reduce posted interest rate up to 2.5% - interest rate reduction of 0.05% for each job created. See loan application for details defining jobs.
 - Board participation in construction financing of \$1.5 million or more requires that contractors must pay prevailing wages.
 - All projects must give preference to the employment of bona fide Montana residents.

- **Guaranteed Loan Purchase Program**
 - o “Guaranteed Loan” refers to federally guaranteed loans
 - o Fixed rate financing up to 30 years with interest rates posted weekly.
 - o Board purchases 100% of the guaranteed portion of the loan.
 - o Job creation credits may reduce posted interest rate up to 2.5% - interest rate reduction of 0.05% for each job created.
- **Infrastructure Loan Program**
 - o Local governments may apply for Montana Board of Investments Infrastructure Loans to finance infrastructure improvements that serve basic-sector business. The debt is serviced by charging user fees. For companies paying the user fees, the fees are economically offset by corporate tax credits equal to the fees paid. The size of an infrastructure loan is based upon job creation. Up to \$16,666 may be loaned per FTE generated. The minimum loan size is \$250,000, which requires that 15 FTEs be created.

For information regarding the Value-added Loan Program, Business Loan Participation program, the Guaranteed Loan Purchase Program, or the Infrastructure Loan Program:

Delrene Rasmussen, CPA Assistant Investment Officer 406-444-1217 Fax 406-449-6579 Dasmussen@mt.gov	Herb Kulow, CMB Senior Portfolio Manager 406-444-1218 Fax 406-449-6579 Hkulow@mt.gov	Montana Board of Investments P.O. Box 200126 Helena, MT 59620-0126 406-444-1365 phone 406-449-6579 fax
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Montana Department of Environmental Quality – Alternative Energy Revolving Loan Program <http://10.194.19.209/Energy/Renewable/altenergyloan.asp>

- \$40,000 maximum loan, 5% interest rate
- for installing alternative energy systems that generate energy for the use of the applicant
- Contact: Kathi Montgomery
Montana Department of Environmental Quality
Air, Energy, and Pollution Prevention Bureau
1100 North Last Chance Gulch
P.O. Box 200902
Helena, Montana 59620
(406) 841-5243 phone (406) 444-6836 fax kmontgomery@mt.gov

Montana Manufacturing Extension Center (MMEC)

<http://www.mtmanufacturingcenter.com/>

This organization may be able to help with plant layout, process design, equipment selection, modular design, and consulting related to manufacturing business management. MMEC does not provide services for free; however their services may come at a bargain rate. It is my understanding that a representative of this organization will meet with you once or twice at no charge to determine your needs develop a services agreement.

- **Not specific to biofuels**
- Contact: Steve Holland, PE, Director
Montana Manufacturing Extension Center

MSU Advanced Technology Park
MSU P.O. Box 174255
Bozeman, MT 59717-4255
Ph. 406-994-3812
sholland@coe.montana.edu

Montana Cooperative Development Center <http://www.mcdc.coop/>

- *Not specific to biofuels*
- Does not have grant funds or revolving loans to finance projects, but does offer technical assistance for business formation
- Contact: Cheryl MacArthur, Executive Director
Montana Cooperative Development Center
PO Box 3027
300 River Drive North Suite 4
Great Falls, MT 59403
(406) 727-1517 (406) 727-2864 fax
cheryl@mcdc.coop

USDA Rural Development

Financing and grant funding for feasibility studies and planning may be available through several programs administered by USDA Rural Development. Certain programs also may be used to finance biofuels projects. Certified Regional Development Corporations may be able to provide assistance in preparing applications for USDA Rural Development grants and loans.

- <http://www.rurdev.usda.gov/mt/RBS/rbs.htm>
- To learn whether your project is eligible to apply to these programs and applications deadline dates, contact: **John D. Guthmiller**
USDA Rural Development - Montana State Office
900 Technology Blvd, Suite B
P.O. Box 850
Bozeman, MT 59771
(406) 585-2580 phone, (406) 585-2565 fax
John.Guthmiller@mt.usda.gov
- ***Renewable Energy Systems and Energy Efficiency Improvements Grant, Guaranteed Loan, and Direct Loan Programs – “Farm Bill Section 9006 Program”***
 - o Loans, loan guarantees, and grants to farmers, ranchers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements.
 - o Grants: maximum grant request is 25% of eligible project costs up to \$500,000
 - o Guaranteed loans: maximum loan request is 50% of project costs up to \$10 million
 - o Eligible applicants: agricultural producers and rural small businesses.
 - o Financial need must be demonstrated
 - o The project must be for a pre-commercial or commercially available and replicable technology, not for research and development
 - o The project must be technically feasible
 - o Project revenues must be sufficient to provide for the operation and maintenance of the system.

- One round of applications per year – application deadlines:
 - Renewable Energy/Efficiency Grant – May 12, 2006
 - Renewable Energy/Efficiency Guaranteed Loan – July 1, 2006
- <http://www.rurdev.usda.gov/rbs/farmbill/>

- ***Value-Added Producer Grants***

- Grants may be used for planning activities and working capital for marketing value-added agricultural products and for farm-based renewable energy.
- Eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures.
- Maximum amount is \$500,000
- Minimum 1:1 match by the applicant or a third party.
- Deadline: February 28, 2006

- ***Business and Industry Guaranteed Loans***

- Provides guarantees up to 80 % of a loan made by a commercial lender
- Maximum loan amount is \$10 million. Loans up to \$25 million can be guaranteed with prior approval from the Administrator.
- Applicant must have sufficient collateral to secure the entire loan and the collateral must be supported by a current appraisal.
- Businesses in operation less than 3 years must provide a minimum of 20% of tangible book equity. Existing businesses must provide 10%.
- Continuous funding cycle

- ***Business and Industry Direct Loans***

- Provides loans to rural public entities and private parties who cannot obtain credit from other sources.
- Loans to private parties can be made for improving, developing, or financing business and industry, creating jobs, and improving the economic and environmental climate in rural communities.

- ***Intermediary Relending Program***

- Loans made to intermediaries at a 1% interest rate. Intermediaries may be private non-profit corporations, public agencies, Indian groups, or cooperatives.
- Intermediaries establish revolving loan funds to re-lend funds to ultimate recipients at negotiated interest rates. All loans to intermediaries must be adequately secured.
- Ultimate recipients may be private or public organizations or individuals.
- Deadlines for FY2006: 1st Quarter October 31, 2005, 2nd Quarter January 31, 2006, 3rd Quarter April 29, 2006, 4th Quarter July 29, 2006

- ***Rural Business Enterprise Grants***

- Funds are used for the financing or development of a small and emerging business. Eligible uses are: Technical Assistance (providing assistance for marketing studies, feasibility studies, business plans, training etc.) to small and emerging businesses;

- purchasing machinery and equipment to lease to a small and emerging business; creating a revolving loan fund (providing partial funding as a loan to a small and emerging business for the purchase of equipment, working capital, or real estate); or construct a building for a business incubator for small and emerging businesses.
 - Deadline May 26, 2006
- ***Rural Economic Development Loan & Grant program (REDLG)***
 - Loan to made to electric and telephone utilities financed by the Rural Utilities Service (RUS).
 - RUS utility re-lends loan proceeds to an eligible "third-party recipient" under terms that mirror RUS loan terms.
 - 0% interest rate / 10 year promissory note / possible payment deferment for 1 – 2 years.
 - Eligible loan purposes include business expansions and business startups, including cost of buildings, equipment, machinery, land, site development, and working capital.
 - Third-party recipient must apply to the area RUS utility.
 - Deadlines for FY2006: 1st Quarter October 31, 2005, 2nd Quarter January 31, 2006, 3rd Quarter April 28, 2006, 4th Quarter July 31, 2006

MONTANA OILSEED, BIODIESEL, BIOLUBRICANT INCENTIVES

HB 756 Oilseed Crush Facility Investment Tax Credit (Income Taxes) – Signed 2005 Legislation

- Credit against income taxes for investments in depreciable property in Montana to crush oilseed crops for purposes of biodiesel production
- Credit: 15% of the cost of the property, for property invested in a facility that begins operations before January 1, 2010. Maximum credit is \$500,000
 - May not be carried forward to any succeeding tax year.
 - Not in lieu of any depreciation or amortization deduction or other tax incentive
 - Taxpayer's adjusted basis is not decreased by any tax credits allowed
 - Available only in the tax year in which the property was purchased
 - Must be claimed in the tax year in which the facility begins processing oilseed or manufacturing a product from oilseed
 - If operations cease within 5 years, the credit is subject to recapture
- The taxpayer claiming a credit must be a person who as an owner or have a beneficial interest in a business that crushes oilseed or that manufactures a product from crushed oilseed

HB 756 Biodiesel Production Facility Tax Credit (Income Taxes) – Signed 2005 Legislation

- Credit against income taxes for investments in depreciable property in Montana to be used for biodiesel production.
- Amount of the credit that may be claimed is 15% of the cost of the (depreciable) property invested in a facility that begins operations before January 1, 2010. (Note: NO LIMIT)
 - May not be carried forward to any succeeding tax year.
 - Not in lieu of any depreciation or amortization deduction or other tax incentive

- Taxpayer's adjusted basis is not decreased by any tax credits allowed
- Credit must be claimed in the tax year in which the facility begins production
- If operations cease within 5 years, the credit is subject to recapture
- The taxpayer claiming a credit must be a person who as an owner or have a beneficial interest in a business that manufactures biodiesel

HB 756 Biodiesel Production Incentive – Signed 2005 Legislation

- Tax incentive: 10 cents a gallon for each gallon of increased production for increases in annual production the first 3 years of production.
- Tax incentive applies to biodiesel upon which the tax has been paid by a licensed distributor.
- Tax incentive ends July 1, 2010
- "Biodiesel" means a fuel produced from monoalkyl esters of long-chain fatty acids derived from vegetable oils, renewable lipids, animal fats, or any combination of those ingredients. The fuel must meet the requirements of ASTM D6751, also known as the Standard Specification for Biodiesel Fuel (B100) Blend Stock for Distillate Fuels, as adopted by the American society of testing and materials." Pure biodiesel is also known as "B100".
- "Biodiesel producer" means a person who engages in the business of producing, refining, or manufacturing in Montana biodiesel for sale, use, or distribution.

HB 776 Biodiesel Blending And Storage Tax Credit – Signed 2005 Legislation

- Credit against income taxes for the cost of storage and blending equipment to be used for blending biodiesel with petroleum diesel.
- Amount of credit that can be claimed is 15% of the cost of storage and blending equipment for property invested in a facility that begins operations before January 1, 2010.
 - Maximum credit for distributors is \$52,000
 - Maximum credit for an owner or operator of a motor fuel outlet is \$7,500
 - May not be carried forward to any succeeding tax year.
 - Not in lieu of any depreciation or amortization deduction or other tax incentive
 - Taxpayer's adjusted basis is not decreased by any tax credits allowed
 - Credit must be claimed in the tax year in which the facility begins blending biodiesel fuel
 - If operations cease within 5 years, the credit is subject to recapture
- The taxpayer claiming a credit must be a person who as an owner or have a beneficial interest in a business that blends biodiesel
- "Biodiesel blend" means a blend of biodiesel and petroleum diesel fuel that is at least 2% biodiesel
- Other stipulations:
 - Credit is for depreciable property used primarily to blend biodiesel ***made entirely from Montana-produced ingredients with petroleum diesel***
 - Sales of biodiesel must be at least 2% of the taxpayer's total diesel sales by the end of the third year following the tax year in which the credit is claimed

HB 776 Biodiesel: Refund For Taxes Paid On Biodiesel By Distributor Or Retailer – Signed 2005 Legislation

- Fuel tax refund for biodiesel sold during the previous calendar quarter if the biodiesel is produced entirely from biodiesel ingredients produced in Montana
 - Licensed distributor: 2 cents a gallon of biodiesel
 - Owner or operator of a retail motor fuel outlet: 1 cent a gallon of biodiesel
 - Refund does apply to fuel exempt from fuel tax
- "Biodiesel" means a fuel produced from monoalkyl esters of long-chain fatty acids derived from vegetable oils, renewable lipids, animal fats, or any combination of those ingredients. The fuel must meet the requirements of ASTM D6751, also known as the Standard Specification for Biodiesel Fuel (B100) Blend Stock for Distillate Fuels, as adopted by the American Society of Testing and Materials." Biodiesel is also known as "B100" or pure biodiesel.

Canola Crushing Plant Property Tax Exemption – Personal Property

- All machinery and equipment used in a canola seed oil processing facility is exempt from property taxes
- "Canola seed oil processing facility" means a facility that extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the edible oil into food products, or engages in any one or more of those processes; and employs at least 15 employees in a full-time capacity.

MONTANA ETHANOL INCENTIVES

SB 293 Ethanol Mandate - 10% Ethanol Blend – Signed 2005 Legislation

- Within 12 months after the Montana Department of Transportation (DOT) certifies that the state of Montana has produced 40 MMGPY of denatured ethanol and has maintained that level of production at an annualized basis for at least 3 months
- Ends five years after the 40 MMGPY production level is met

SB 293 Tax Incentive for Production of Ethanol – Signed 2005 Legislation

- \$0.20/gal for each gallon that is 100% produced from Montana products (pro-rated for use of out-of-state feedstocks / certain percentages of Montana feedstocks must be used)
- Maximum incentive \$2 million per facility
- Total incentive payments to industry may not exceed \$6 million in any 12-month period.
- Available for first six years from the date that the facility begins production
- May receive payments commencing the first quarter after the facility begins production
- Facility must file business plan with the incentive application submitted to the DOT at least two years before the estimated date of production – must have proof of commitment from lenders to finance the plant.

Montana Gasoline License Tax (\$0.27/gal)

- Pre SB293 Mandate - Gasohol is subject to 85% of the state gasoline license tax
- Post SB 293 Mandate - Gasohol is subject to the full 100% of the state gasoline license tax

Ethanol Plant Property Tax Exemption – Personal Property

- All manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after the completion of the facility are exempt from property taxes.

SB 293 MTBE Ban

AMENDING SECTIONS 15-70-201, 15-70-204, 15-70-503, 15-70-522, 17-6-317, 82-15-101, 82-15-102, 82-15-103, 82-15-104, 82-15-106, 82-15-110, AND 82-15-111, MCA, AND SECTIONS 12 AND 13, CHAPTER 568, LAWS OF 2001; REPEALING SECTION 15-70-245, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND TERMINATION DATES...

SB 131 Restricts MTBE to residual amounts (MTBE ban).

FEDERAL ASSISTANCE FOR ETHANOL AND BIODIESEL

- **Alternate Fuel Refueling Property Tax Credit**, Internal Revenue Service (IRS), Leslie Finlow, Branch Chief, The Alternative Fuel Refueling Infrastructure Tax Credit was also established as part of the Energy Policy Act of 2005. This tax credit program provides a tax credit for the installation of certain qualifying fueling infrastructure that dispense alternative fuel, including E85 and biodiesel blends B20 and higher.
- **Commodity Credit Corporation (CCC) Bioenergy Program**
(<http://www.ethanolrfa.org/policy/regulations/federal/ccc/> requires license and eligibility (USDA, register annually for credit). Currently, they stopped payments June 2006 in FY 2007 as they were out of funds.)
- **Small Agri-Biodiesel Producer Tax Credit**
The Small Agri-Biodiesel Producer Tax Credit was established as part of the Energy Policy Act of 2005. This tax credit program is a volumetric based income tax credit for the production of agri-biodiesel (biodiesel made from first-use vegetable oils and first-use animal fats). A.K.A Small Biodiesel Producer Tax Credits:
(<http://www.ethanolrfa.org/policy/regulations/federal/biodiesel/>) allowable against federal taxes, capped at \$1.5 million per year for \$0.10 per gallon, up to 15 million gallons per year of new production.
- **Volumetric Ethanol Excise Tax Credit (VEETC)**
(<http://www.ethanolrfa.org/policy/regulations/federal/veetc/>)

Also available to biodiesel, Volumetric ‘Blender’ Tax Credit (VEETC)

The IRS has published on its website the various forms associated with the volumetric biodiesel credit for fuel distributors. These forms (including Form 637, Form 720, Form 8849, Form 8864, and Form 4136) are available by going to the Forms and Publications page of the IRS website, www.irs.gov. A direct link to that page is:
<http://www.irs.gov/formspubs/lists/0,,id=97817,00.html>. (note that this also covers ethanol blends.)

- **Renewable Fuels Standard (RFS)**
(<http://www.ethanolrfa.org/policy/regulations/federal/standard/>)
- **Small Ethanol Producer Tax Credit**
(<http://www.ethanolrfa.org/policy/regulations/federal/septc/>) up to \$0.10 per gallon for small (less than 60 million gallon per year) producers
- **Federal Reformulated Gasoline (RFG) program areas** (Not applicable in Montana)
(<http://www.ethanolrfa.org/policy/regulations/federal/rfg/>)
- **Federal Winter Oxygenated Fuels program areas**
(<http://www.ethanolrfa.org/policy/regulations/federal/wofa/>) (currently only applicable to Missoula), only requires the use of ethanol.